Imperial Oil Limited Annual Report 1975

Working in
all parts of Canada
to serve the
needs of Canadians
now and to
find and develop
energy supplies for
the future

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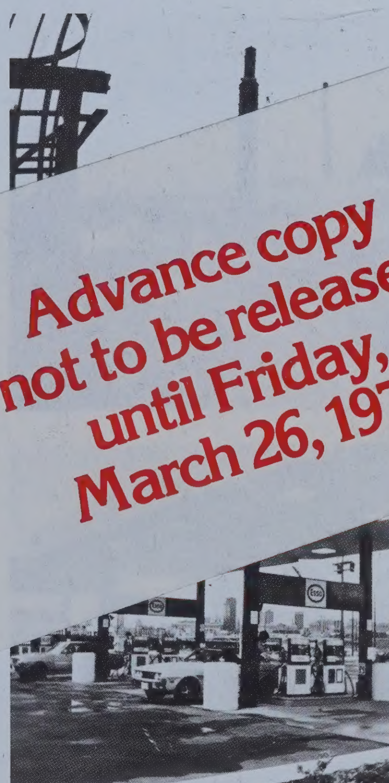
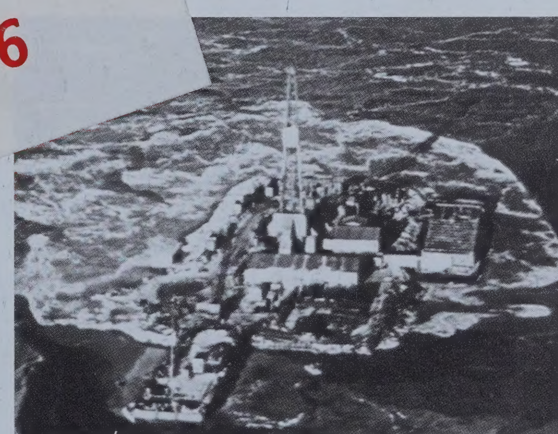
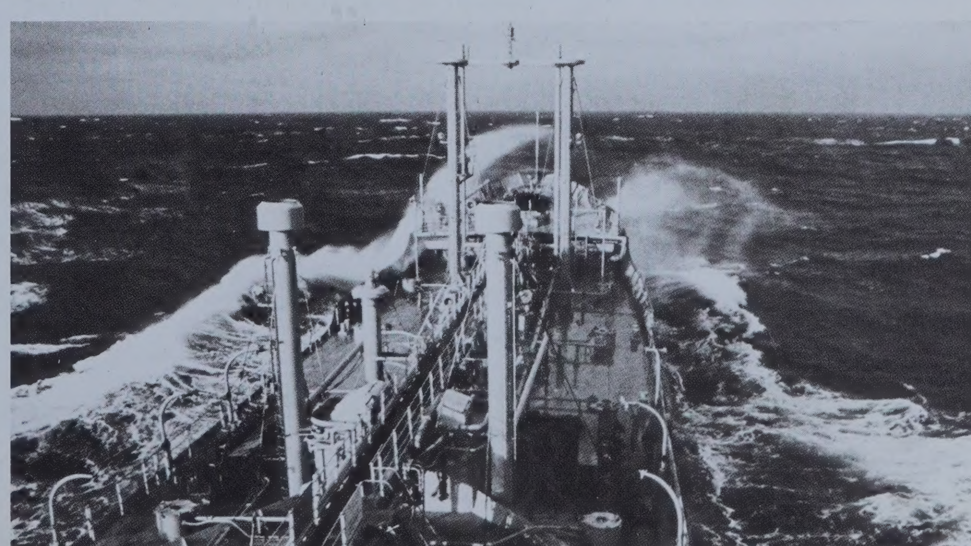
until Friday,
March 26, 1976







Financial and Operating Highlights

Financial*

	1975	1974
	millions of dollars	
Earnings	250	289
Dividends	104	104
Revenues	4,110	3,713
Capital and exploration expenditures	326	404
Taxes charged against income	457	376
Total taxes generated	951	945
Crown royalties	273	251
	dollars	
Earnings per share	1.92	2.22
Dividends per share	.80	.80
	percentages	
Earnings as a percentage of average		
shareholders' equity	16.4	21.1
capital employed	12.0	15.6

* 1974 restated for a reassessment of income taxes

Operating

	1975	1974
	thousands of barrels per day	
Petroleum product sales	418	443
Crude oil processed at refineries	395	438
Crude oil and natural-gas liquids		
gross production	265	337
net production	173	224
Natural-gas sales (millions of cubic feet per day)	412	421
Gross proved reserves**		
crude oil and natural-gas liquids (millions of barrels)	1,137	1,206
western Canada natural gas (billions of cubic feet)	2,519	2,607
Estimated Mackenzie Delta natural-gas reserves (billions of cubic feet)	3,100	–

** Does not include Beaufort Basin discoveries or Syncrude, Cold Lake, and other heavy oils.

Message from the President

Canadians enjoy one of the highest living standards in the world, but the economic system on which this standard depends is being eroded. If competitive enterprise is replaced by a massive system of government controls, business efficiency will be affected, and personal freedom and independence will also be reduced.

Yet, government clearly has a function to perform in the world of business. Among its roles are monitoring the market to ensure that competition exists and providing a framework that encourages business to get on with its job. Part of the framework is a stable environment in which the competitive market, based on the sovereignty of the consumer, can work effectively.

Stability is especially necessary in the energy sector if the billions of dollars needed to find and develop new Canadian energy supplies are to be invested. These funds can come only from investors willing to accept the risks and the inevitable waiting period of many years before petroleum investments pay off. A perception of stability gives investors confidence that the rules won't change to penalize them after their investments have been made.

Most Canadians agree that the development of energy resources is of primary importance, not only for the economic benefits it will bring in its wake, but for the security that domestic supply can provide. Energy development can take place most effectively within a framework of stable rules that recognize long-term national energy goals and thus encourage and enable industry to get on with this vital job.

J. A. Armstrong

President and Chief Executive Officer and Chairman of the Board

External Factors Affecting Operations

Many factors beyond the company's control affected Imperial's operations and financial position in 1975 as well as its future plans. The most important were actions taken by the federal and provincial governments.

Government Actions

Significant among federal-government actions in 1975 was the July 1 increase in the price of crude oil from $6.50 to $8 per barrel – an increase of $1.50. At the same time, the province of Alberta, where most of Imperial's crude oil is produced, reduced its royalty on this price increase by 15 percent. As a result of these actions, the company's income from Alberta crude oil during the remainder of 1975 increased by 22 cents per barrel.

Saskatchewan also adjusted its royalty schedule on crude oil effective July 1, 1975, to maintain the producer's income at the level prevailing before the July price increase. In November, 1975, British Columbia provided incentives to increase exploration for petroleum in the province by introducing a rebate on royalties and linking it to expenditures for exploration and development.

The oil industry has been subject to continuing federal-government guidelines on the prices of crude oil and petroleum products since September, 1973. In addition, some provincial governments have also introduced controls on product prices since December, 1973. The federal government permitted increases in product prices in February, 1975, that could be justified by increases in costs other than crude-oil costs. Despite this, cost-justified price increases were withheld until April 1 by the government of British Columbia and until May 29 by Nova Scotia, and even then only partially allowed. Both provinces maintained controls on petroleum-product prices throughout the year in line with or below federal guidelines, although costs have continued to increase.

On July 1, when the price of crude oil was raised, the federal government directed the oil companies to refrain from raising product prices for 45 days. Subsequently, some provinces extended the federal price freeze. These extensions beyond the federal guidelines reduced the company's earnings by approximately $10 million.

Following the implementation of the freeze on petroleum-product prices in July, the government of Ontario appointed a royal commission to inquire into the relationship between changes in the price of petroleum products and the interests of the consuming public, and to consider procedures that might be followed in relation to future changes in the price of crude oil. Imperial was an active participant in the hearings; it submitted briefs explaining the company's structure and operations, as well as the challenges facing the industry. Imperial argued that increases in product prices should be made to cover crude-price increases as quickly as the market will permit, and explained that delays in price increases affect the company's ability to carry out its planned investments. The commission's first report, published in September, 1975, observed that supplies available to Ontario had been relatively stable, and the changes that took place in the prior months did not merit public concern. In addition, it recognized that product-price increases related to increased crude costs should reflect a return on the added amount of working capital needed to finance the cost of higher-priced crude oil. The commission's supplementary report in January, 1976, recommended that changes in product prices should follow increases in crude prices after "variable inventories" were depleted. Variable inventories are inventories in excess of the minimum needed to keep the system operating without interruptions. The report concludes that this would have taken between 30 and 40 days in the case of inventories on hand in July, 1975. The report also recommended that governments should reach prior agreement with respect to any future freeze on prices.

In 1975, the federal government began to phase out exports of crude oil. For the first half of the year, exports of 800,000 barrels per day were licensed, a reduction of 12 percent from the 1974 level. However, actual exports averaged only 665,000 barrels per day during this period because the government-established price plus the export tax made the price of Canadian crude oil in the U.S. market higher than the price of alternative crude supplies. Consequently, the government lowered the export price by reducing the tax by 80 cents to $4.70 per barrel in June, and exports increased to the licensed limit of 750,000 barrels per day for the last six months of the year. In September, 1975, the National Energy Board recommended a reduction in exports to 510,000 barrels per day from January 1, 1976, until the start-up of the pipeline to Montreal, and recommended a further reduction in exports after the pipeline goes into operation.

In November, 1975, the federal government set an export price for natural gas of $1.60 per million Btu's – about a thousand cubic feet – at the U.S. border, an increase of 60 cents per thousand cubic feet over the price on Jan. 1, 1975. In addition, the federal and Alberta governments agreed to a price of $1.25 per thousand cubic feet for natural gas from Nov. 1, 1975, to June 30, 1976, delivered to the Toronto city gate. This is an increase of 44 cents per thousand cubic feet from the price at Jan. 1, 1975. In November, the British Columbia government revised the prices paid for natural gas by the British Columbia Petroleum Corporation for all gas produced in the province. The new schedule offers higher prices through credits earned by exploration and development expenditures made in the province. The effect of these price changes has been to in-

crease Imperial's average wellhead revenue in 1975 by 36 cents per thousand cubic feet.

During 1975, the government of Canada gave some indication of the nature of the changes that will be made in the regulations governing land tenure and revenue sharing on federal permits in the Arctic. Imperial continued an active exploration program in 1975 in the hope that the new regulations will provide financial returns commensurate with the risk involved in frontier exploration and development.

All of these actions have affected the company. Although Imperial retains an enviable credit rating among Canadian institutions, this or any other company can have access to the large amounts of capital necessary to ensure the discovery and development of future domestic supplies of energy for Canadians only if investor confidence is maintained. Government policies and regulations that are consistent, fair, and stable are essential to foster this confidence. Imperial's earnings and cash flow have been depressed at a time when very large demands face the company in the exploration, production, and development of new energy resources, and in the "downstream" operations of refining, transporting, and marketing of petroleum products, and chemicals. Nevertheless, the company is reinvesting a significant part of its earnings in new energy resources. Capital and exploration spending in 1975 amounted to $326 million. Expenditures for exploration and development of new supplies of crude oil and natural gas, including the company's interest in the Syncrude project, were $188 million in 1975, up from $177 million in 1974.

The expenditures of the petroleum industry are expected to be $60 billion between now and 1985, and higher earnings are essential to meet them, not only as a source of capital for reinvestment and as a base for borrowing, but as a signal to investors that the industry is strong and successful.

Imperial is encouraged by a growing public recognition of the need to conserve energy now, to foster the development of new domestic energy supply, and of the benefits that flow from resource development. In this situation, our strength lies in an able work force and in the proven record of success since the company's founding in London, Ont. in 1880.

The Impact of Inflation

The financial impact of high inflation is not always understood. As an example, between 1973 and early 1975, the company built a plant at Cold Lake at a cost of $15 million. At 1975 dollar values, the same plant would cost approximately $20 million. This indicates the significant decrease in the purchasing power of the dollar, a decrease that is evident in all areas of the economy.

Conventional financial statements do not reflect changes in purchasing power. For one thing, depreciation provisions charged against earnings are based on original cost, which is less than replacement cost today.

This distortion persists for many years even after costs and prices have stabilized, and shareholders should bear this in mind when making year-by-year comparisons.

There are accounting methods that reduce this distortion. One approach advocated by accounting professionals that attempts to make the comparison with prior periods more meaningful is called price-level restatement. This method compares current financial results with the results of prior periods in dollars of the same purchasing power.

Using this method, 1975 earnings would be $165 million. Earnings for 1974, also restated in 1975 dollars, would be $237 million. Depreciation in 1975 would be $157 million, not $90 million, and the return on capital employed would be six percent in 1975, rather than 12 percent.

The Federal Anti-Inflation Program

Imperial is cooperating with the federal government's anti-inflation program. In October, 1975, the company established committees on prices and incomes to ensure compliance with the guidelines and regulations as well as to assess the program's overall effect on company operations.

Imperial recognizes the need to bring inflation under control as quickly as possible. At the same time, the company believes undue and prolonged reliance on controls to supplant the workings of the marketplace will cause more serious problems in the future. One of the most important ways to fight inflation is to improve productivity, and the program is ambiguous in its treatment of productivity gains. Moreover, the program appears to misunderstand the role of profits in providing the means for future investments; profits represent the generation of new capital and this process is essential to the country's future wellbeing. The program's treatment of dividends also shows a lack of understanding of the role dividends play in the capital market.

Imperial is concerned about the program's lack of clear plans to curtail government spending and to further moderate growth of the money supply. The company also believes it is essential for the success of the program that all levels of government cooperate to avoid jurisdictional conflicts.

By means of personal meetings, correspondence, and written statements, Imperial is making its views on these concerns known to the federal government and the Anti-Inflation Board.

The pricing of crude oil and natural gas are not subject to the Anti-Inflation Board although they remain subject to other governmental controls. The board will be reviewing the pricing of petroleum products and chemical products, although in these areas, competitive market pressures on prices are likely to be more significant in the next year or two than the regulations themselves.

Public Attitudes

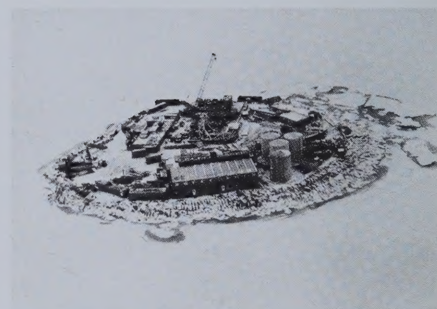
A public-opinion poll conducted early in 1975 confirmed what many shareholders suspect: that the general public has mixed feelings about the Canadian oil industry. In general, slightly more than half of all Canadians show no concern for the possibility of a shortage of domestic energy supplies over the next five to ten years. About the same proportion do not appreciate the difficulties, the cost, nor the size of the job required to find, develop, transport, and market new energy resources.

At the same time, most Canadians believe the industry is competent and efficient, and prefer to see it operate under private ownership within government regulations rather than under direct public ownership. Although there is widespread lack of knowledge about the share of industry profits from each dollar of revenue, most Canadians believe that reinvestment of profits in new energy development is in the public interest.

Imperial believes that misperceptions about the oil industry are a matter for serious concern, and is meeting them with broad communications programs informing the public on questions relating to energy supply and on the part Imperial plays in developing energy supplies for Canada.

Operations Review

Ikattok J-17 being drilled to explore a geological structure 14 miles southwest of the Adgo F-28 discovery.



Preparing to drill Netserk F-40 from an artificial island 14 miles north of the 1974 Adgo F-28 discovery in the Beaufort Sea.

Financial Results

Total revenues in 1975 increased by $397 million to reach a total of $4.1 billion as a result of higher crude-oil and natural-gas prices and increased product prices. However, the revenue increase was more than offset by increased costs and government take in the form of royalties and taxes. Demand for crude oil, petroleum products, and chemical products was reduced in 1975, and competition was more intense.

As a result, net earnings of Imperial Oil Limited in 1975 were $250 million ($1.92 per share), a decrease of $39 million compared to 1974. This represents 30 cents less per share. Return on average capital employed in 1975 was 12.0 percent, down from 15.6 percent in 1974.

Earnings before income taxes decreased by 12 percent in 1975; income taxes decreased by 10 percent, but still reached $240 million. Royalty payments to governments increased by $22 million to $273 million, an increase of nine percent.

Capital and exploration expenditures in 1975 were $326 million, a decrease of $78 million from the total spent in 1974.

Energy Resources: Exploration, Production, and Development of New Resources

Exploration

Imperial explored for petroleum in three areas of Canada in 1975: the Mackenzie Delta, the Atlantic offshore, and the western Canada sedimentary basin in Alberta and British Columbia.

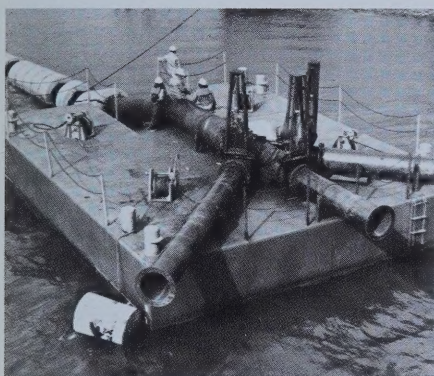
In the Mackenzie Delta area, the company continued a drilling program in the shallow waters of the Beaufort Sea. About one-third of Imperial's Delta acreage is offshore in waters as deep as 60 feet, and the company has pioneered the design and construction of artificial islands for use as offshore drilling platforms in these waters. In summer, the islands are built with gravel and silt dredged from the sea floor; in winter with gravel trucked from the shore over the sea ice. Three such islands were completed in 1975.

Two offshore wells were drilled during the year to delineate the 1974 discovery made at the Adgo F-28 well, and one of them – Adgo P-25 – confirmed the presence of both oil and gas in four zones. The other, Adgo C-15, did not encounter hydrocarbons in commercial quantities.

A third well – Netserk B-44 – was drilled in a previously unexplored area seven miles north of the Adgo discovery. Tests yielded small volumes of gas, but indicated non-commercial accumulations. At year-end, two other wildcat wells were being drilled. Netserk F-40 is on an artificial island in 23 feet of water seven miles north of Netserk B-44. It is exploring a separate geological structure. Ikattok J-17 is being drilled in five feet of water to explore another geological structure 14 miles southwest of the Adgo discovery. The Ikattok test is being drilled under a farmout agreement by an organization known as the Delta-5 group. This group will pay the costs of building the island and drilling the well in return for an interest in the Ikattok prospect.

Imperial participated with others in drilling four wells onshore in the Mackenzie Delta area during the year. Although the holes were dry, the information they provided increased the company's knowledge about the complicated geology and the hydrocarbon potential of this area.

In the Atlantic, Imperial continued seismic exploration of the 25 million acres of wholly-owned permits lying offshore from Newfoundland to Baffin Island. In some of this area, water depths exceed 3,000 feet and the company is supporting



A floating pipeline to carry dredged gravel for offshore drilling islands being test-assembled at Tukoyaktuk.

The installation of additional facilities at the gas-processing complex at Judy Creek, Alta., was completed in 1975, bringing capacity to 250 million cubic feet per day.

research to develop drilling and production technology for such deep-water ventures. This research is expected to enable the company to drill in this area by the 1980s.

Imperial also acquired options in 1975 to explore on four million acres held by others in the Atlantic off Baffin Island and in the Flemish Pass area off Newfoundland where the water is generally shallower than 3,500 feet. The technology to drill exploratory wells in these areas should be available in the late 1970s.

In 1975, Imperial participated with Mobil Oil Canada, Ltd. and Gulf Oil Canada Limited in the Mobil et al Cumberland G-55 well in the sparsely explored area northeast of Newfoundland. The well was a dry hole but provided important geological data, which will assist in the evaluation of wholly-owned permits in this area.

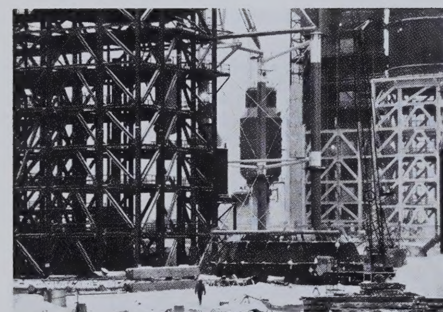
Higher oil and natural-gas prices, tax and royalty changes, and drilling incentive plans have encouraged exploration in Alberta and British Columbia. During the year, Imperial undertook seismic programs in the Alberta foothills to evaluate company leases and participated in the drilling of 26 wells in Alberta and British Columbia. Imperial intends to continue exploration in these provinces and acquired additional leases in Alberta. Resources discovered in these areas can be brought to market much sooner than resources from the frontier areas.

Production

Imperial's gross production of crude oil and natural-gas liquids averaged 265,000 barrels per day in 1975, down 72,000 barrels per day from 1974. This reduction results from the federal government's continuing program to phase out exports as a measure to protect future Canadian requirements for crude oil. In addition, export sales during the first half of the year were below the amounts permitted by the government because the export-tax level made Canadian crude more expensive than competing crudes in the U.S. market. Imperial's gross production of crude oil and equivalents was 15.3 percent of the industry total, down from 16.9 percent in 1974. This reduction occurred because a significant proportion of the company's production comes from fields in Alberta that have large reserves and high productivity. Under the Alberta prorationing regulations, such fields bear a greater share of any reduction in demand.

The company's sales of natural gas declined 2.3 percent from 1974, mainly reflecting a decline in the productivity of a few fields. Natural-gas sales averaged 412 million cubic feet per day and were 6.2 percent of the industry's sales.

Imperial reached an agreement with TransCanada PipeLines Limited in 1975 for the sale of a maximum of four trillion cubic feet of gas from the Mackenzie Delta-Beaufort Sea area. Plans for de-



The Syncrude Canada Ltd. plant to extract oil from the Alberta oil sands was 27-percent complete in 1975.

veloping the company's gas reserves in this area went ahead and design of a plant capable of processing one billion cubic feet of gas per day was started in May, 1975, in anticipation of approval for a Mackenzie Valley pipeline. The projected capital cost of this plant is about $500 million. The company also completed its submission to the federal government for the land-use permit necessary before construction can begin.

Arctic Gas Pipeline

Hearings to examine the proposals for moving natural gas from the Mackenzie Delta-Beaufort Sea area of the Northwest Territories and the Prudhoe Bay area of Alaska are being conducted in Canada and the United States. Canadian Arctic Gas Pipeline Limited has applied to build and operate a gas-transportation system to move natural gas from these areas to southern

At Cold Lake, Alta., the crew changes pipe while drilling a well into the heavy-oil deposit there.

markets. Another group is proposing a smaller-diameter pipeline to carry only Mackenzie Delta gas. The Mackenzie Valley pipeline inquiry by Mr. Justice Thomas R. Berger and the National Energy Board have been examining both these applications in separate hearings. Imperial is a member of Canadian Arctic Gas Pipeline Limited and believes that company's proposal provides an opportunity for Canada to benefit economically from the efficiencies of moving larger volumes of Canadian and Alaskan natural gas through a common pipeline. This pipeline would provide the earliest possible access to the Mackenzie Delta gas reserves to meet growing Canadian demands by supplementing supplies from existing fields in the western provinces. None of the Canadian gas will be exported without the approval of the National Energy Board.

As a participant in the group making the pipeline application, Imperial has provided about $4½ million of the $100 million spent since 1970 on engineering, environmental feasibility, preliminary pipeline design studies, and regulatory hearings.

Arctic Oil Pipeline

An oil-pipeline system to connect with existing oil-transportation systems in southern Canada is under study by Beaufort-Delta Oil Project Limited, an organization sponsored by Imperial and four other companies. A number of Imperial employees have been on loan to the group, which is studying the factors involved in such a line's construction and operation. All available Arctic pipeline study data, supplemented by new engineering and environmental studies, will be used in the preparation of an application to construct an oil pipeline if significant reserves are defined.

New Energy Resources

In addition to exploring for and developing conventional oil and gas, the company is investing substantial amounts of capital in other forms of hydrocarbons. Imperial holds a 31.25-percent interest in the 125,000-barrel-per-day Athabasca oil-sands plant being built by Syncrude Canada Ltd. Construction of the project was essentially on schedule and at year-end was 27 percent complete. The work force at the site reached 5,540 in 1975, and is expected to peak at 6,800 in 1976. Imperial's share of the cost of this project is expected to be about $625 million. Production of synthetic crude oil is scheduled to start in 1978.

In the Cold Lake area of Alberta, Imperial continued experimental work to recover heavy oil from wells by means of steam injection, a program that has been in operation for 10 years. Construction of a larger pilot project was completed early in 1975 at a cost of $15 million. A production rate of 4,200 barrels per day was

Building the filtration plant to supply water for steam generation at the Cold Lake pilot plant.

The company's new 140,000-barrels-per-day refinery at Strathcona, near Edmonton, came on stream in 1975.

achieved at this pilot. The larger pilot plant will develop important data for an evaluation of the feasibility of a commercial recovery plant. Such plants are expected to cost as much as the facilities now being built to extract oil from the Athabasca oil sands. Imperial's acreage is underlain by billions of barrels of oil in place.

Coal Reserves

The company currently holds reserves of subbituminous coal in western Canada and the program to acquire coal reserves continued in 1975. The expected market for this type of coal is in power generation and industrial uses. Much further in the future, it may be used in the synthesis of gas and hydrocarbon liquids. The rate of development of new coal production will depend on early resolution of current uncertainties concerning royalties, taxation, and environmental regulations.

Petroleum Products: Manufacture and Sale

The contribution to earnings from refining and marketing operations was adversely affected by lower sales, less crude processed, and various government-imposed price controls in 1975.

Product sales averaged 418,000 barrels per day, down 5.6 percent from 1974. Imperial refineries processed 395,000 barrels of crude per day, 10 percent less than 1974. The major reason for these reductions was the termination of a long-term contract under which Imperial refineries processed crude for another distributor. The general slowdown in the Canadian economy, strikes in the resource industries, and conservation efforts by individuals and industrial consumers also contributed to the reduction in demand.

Revenues from petroleum-product sales reached $2.073 billion, an increase of 16 percent. This increase is due primarily to higher prices. Despite this increase in revenues, earnings were less than in 1974 because of higher costs and government price freezes. In some markets, reduced demand and surplus refining capacity, particularly in eastern Canada, made competition more intense.

Refinery Operations

Imperial's petroleum-products supply system was changed significantly during 1975. Most notable was the successful startup of the new 140,000-barrels-per-day refinery at Strathcona and its related product terminals in Calgary, Regina, and Winnipeg. These terminals have permitted the company to close the old refineries at Edmonton, Calgary, Regina, and Winnipeg. Of the 388 employees affected by the closings, 245 have taken positions in other

At the Montreal East refinery, control computers in the French language were installed as part of a $63-million efficiency-improvement program.

company operations. The overall project provides one of the world's most up-to-date refineries coupled with an excellent supply system for the Prairie region and eastern British Columbia. The capital cost was $289 million.

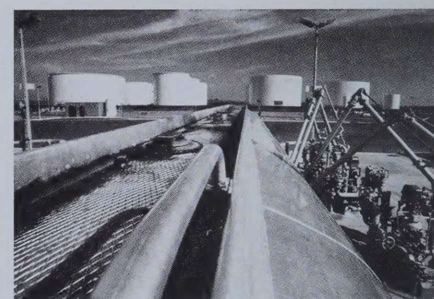
At the Montreal East refinery, a four-year, $63-million program mainly to improve efficiency was substantially completed in 1975 and will be finished in 1976. Operating systems have been improved, including installation of the first control computers in the French language in North America. Investments were also made at Montreal and Dartmouth refineries to permit processing of a wider range of crude oils.

Marketing

The efficiency of Imperial's marketing operations was also improved in 1975. In the service-station network, highly productive self-serve gasoline facilities are being built; this type of station has met with enthusiastic reception by consumers. Some dealers in conventional stations, however, have indicated anxiety over this new business method, seeing it as a potential threat to their security. Imperial's plans are to accommodate the dealer and consumer through a mix of facilities, including many self-serve outlets operated by dealers or lessees. At the same time, uneconomic, low-volume stations are being phased out.

Rising crude and product prices have resulted in dramatic increases in the amount of working capital needed to finance inventories and receivables. The July crude-price increase of $1.50 per barrel increased working capital needed in the manufacture and sale of petroleum products by $77 million, which aggravated a continuing trend towards higher working capital. To offset this trend, greater emphasis was placed on ways to reduce inventories and accounts receivable throughout the year.

The refining and marketing operations supply petroleum products and services to



New distribution terminal at Calgary. New or modernized terminals replace the old refineries at Calgary, Regina, and Winnipeg.

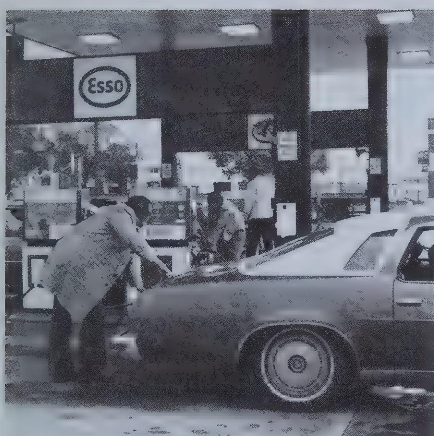
Canadian consumers at competitive prices through an efficient supply system. These operations should continue to contribute earnings growth to the corporation unless constrained by government controls.

Esso Chemical Canada Division

Revenues from the sales of fertilizers, petrochemicals, and fabricated products were $320 million in 1975, about the same as the record set in 1974. Earnings from Esso Chemical Canada were at a satisfactory level in 1975, although they were lower than the 1974 level because of higher production costs. While total volumes of materials sold in 1975 were below those of 1974, demand began to recover toward year-end with the strengthening of the economy.

Petrochemicals

At Sarnia, production of ethylene and most other petrochemical primary materials was at capacity during the last half of the year, although some production was curtailed in the first half. Export demand for chemical intermediates used in the manu-



The company is continuing to add highly-productive self-serve stations like this one in Vancouver to its mix of facilities.

facture of synthetic detergents and plasticizers continued to be strong, and the plants manufacturing these materials operated at capacity. Demand for polyvinyl-chloride resin was significantly off as the economic slowdown of the last half of 1974 and the first six months of 1975 affected house building and the manufacture of cars and appliances. The demand for plastics began to improve late in the year, following the recovery in the economy, and the sales of polyvinyl chloride moved toward the levels of 1974.

The Ontario ministry of health has established guidelines limiting the exposure of workers to vinyl-chloride monomer, a chemical that has been linked to a rare form of liver disease. Esso Chemical Canada manufactures polyvinyl chloride using purchased vinyl-chloride monomer, but no cases of the disease have been found among Imperial employees, and all those working with the substance are examined regularly. In June, 1975, the company announced that its technology to practically eliminate residual vinyl-chloride monomer from polyvinyl-chloride resin had been put into effect.

Plastic Products

Sales of polypropylene rope and twines in 1975 were higher than 1974 although imported sisal products competed strongly in the last half of the year. Sales of other plastic products – bottles, siding, and pipe – were down in 1975, reflecting general economic conditions, but indications of recovery were beginning to appear at year-end.

Fertilizers

Sales of fertilizers to Esso Chemical's customers in western Canada and in the export markets were 561,000 metric tons in 1975, about 81,000 tons below the level achieved in 1974. Declines in domestic and U.S. sales were partly offset by increased offshore exports.

At Redwater, Alta., new facilities were added to increase the capacity of the phosphate-products plant and to provide for greater protection of the environment. The combined investment in these improvements was $8 million.

Building Materials

The slowdown in housing in the first half of the year resulted in reduced demand for building materials. The increase in construction of single-family dwellings during the second half of the year caused a marked improvement in demand for these materials. To meet anticipated demand for fibreboard products, the plant at Pont Rouge, Que., is being expanded.

Other Activities and Projects:

Environmental Protection

As part of Imperial's continuing program to protect the natural environment in which it operates, the company spent about $31 million on capital projects in 1975, not including Imperial's share of environmental control expenditures made by Syncrude. Of this amount, $3.5 million was spent as part of a four-year program to further improve the quality of waste water from refineries at Dartmouth and Montreal East. The total cost of this program is expected to be $50 million.

New facilities for increased capacity and greater environmental protection were installed at the Redwater phosphate fertilizer plant in 1975.

Protection of the environment is part of the responsibility of all operating personnel throughout Imperial; it is part of operating management's normal duties. At the same time, there are many people within the company who work exclusively on environmental matters. In 1975, 37 persons worked full-time on environmental protection, aided by others whose contribution would be equal to the full-time efforts of an additional 52 people. During the past five years, Imperial has spent a total of $154 million on activities directly related to protection of the natural environment. This amount does not include expenditures made by Syncrude or other non-affiliated companies with which Imperial is associated.

Research

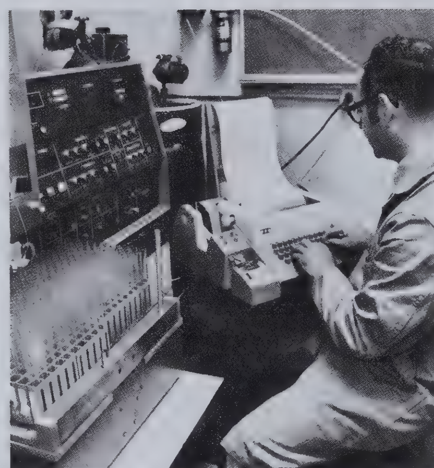
Imperial Oil maintains the largest research effort of any petroleum company in Canada. The research covers all phases of the company's operations and is carried out by 395 people, of whom 135 are

Inclined pumps raise liquid from clarifying basins as part of new bio-oxidation facilities for water treatment at Sarnia.

engineers and scientists, at laboratories in Calgary, Sarnia, and Montreal.

During 1975, drilling and production problems in the offshore Arctic ice and in permafrost were studied at the laboratory in Calgary and on location in the Beaufort Sea. Improved production and upgrading processes for heavy crude at Cold Lake, Alta., were under development at the Calgary and Sarnia laboratories, as well as in a new $15-million facility to test large-scale production at Cold Lake. The laboratory at Montreal has developed improved methods of using recycled and waste-wood fibres in the manufacture of paper and board products that reduce costs substantially.

The company also carries on research into ways that reduce the impact of its operations on the environment. As one result of this research, new bio-oxidation facilities for improving the quality of refinery waste waters were installed at Sarnia and Ioco in 1975 at a total cost of $3 million. The plant at Sarnia was based on work done during a period of two years there. The Ioco unit was designed by Imperial engineers and scientists in co-operation with the British Columbia



At the Calgary laboratory, geological samples are analysed to determine the concentration of minerals in them.

Research Council and consultants.

Imperial spent almost $400,000 studying the Arctic environment in 1975. The company continued to study the effects of island building on the Beaufort Sea. For the third consecutive year, Imperial financed studies of the beluga whale so that the company can relate its operations to the life and migration patterns of this important species.

New lubricating oils based on Canadian crudes are being tested for railroad diesel engines. These tests involve 39 mainline locomotives in heavy-duty freight service, and will continue until more than seven million miles of operating experience has been accumulated.

A program to assess the durability of existing and potential lubricating oils for diesel truck engines is also underway. If oil-drain intervals can be greatly extended, truck fleets can be operated more economically and oil resources conserved. The program involves more than 65 heavy trucks in highway service and will span at least 12 million miles of driving.

Research is also carried out for Exxon Corporation in certain areas of technology that are of interest to both Imperial and Exxon. The laboratory at Sarnia, for example, has responsibility for the world-wide research on lubricating-oil processes and on polyvinyl-chloride plastics for the

Bonnie Lowe, an Imperial geologist, and Nyrie Jackson, a geology student assistant, sample uranium prospect near Bancroft, Ont., in the summer of 1975.

Exxon family of companies. Because of this, Imperial maintains a larger research staff in these areas than its own operations would justify, and this creates greater opportunity for scientists in Canada. One result of this research is a new extraction process for lubricating oils that was successfully tested in 1975. The process results in higher yields, lower fuel consumption, and substantially lower toxicity and environmental hazards. This new process will provide a low-cost method of increasing the yield of Imperial's plants when additional lubricating-oil production is required. During 1975, this technology – known as DILCHILL dewaxing – was licensed to two companies in the United States and one in Canada.

Minerals Exploration

Development work on the lead-zinc discovery at Gays River, N.S., continued in 1975. Underground testing will be carried out in 1976 to determine the commercial

feasibility of a full-scale mining and milling project.

In other parts of Canada, the company's minerals-exploration program has discovered promising leads in deposits of uranium, base metals, and precious metals. Additional evaluation work will be carried out to determine the commercial feasibility of these prospects.

The service life of lubricating oils used in diesel trucks is being studied to increase operating efficiency and conserve oil.

Property Development

During the year, the company's wholly-owned subsidiary, Devon Estates Limited, was active in the management of Imperial's real-estate holdings. Of specific interest, the company continued to develop 228 acres of land adjacent to the former Calgary refinery property for residential use.

Energy Conservation

Fuel costs are a major part of the overall expense of operations and, as part of its continuing programs to improve operational efficiency, Imperial has consistently sought ways to minimize its energy consumption. With increased oil and natural-gas prices and with the current supply/demand outlook for petroleum, conservation of energy has become very important, not only in its own right, but also as an economy measure. Throughout all its operations during 1975, the company emphasized the conservation of energy, and significant savings were achieved. For example, since the introduction of an energy-conservation program at the Sarnia refinery in 1973, the energy requirement there has been reduced. In 1975, the energy saved was the equivalent of 1,500 barrels of oil per day.

Most of the energy used in producing operations is electrical energy, and represents about 10 percent of direct operating costs; new conservation practices and efficiency programs have reduced electrical energy use by approximately 15 percent, and are providing important ongoing savings.

Total investment to put these energy-conservation and other efficiency programs into effect was about $10 million in 1975.

Employee Relations

The success of Imperial's operations in 1975 is due in great part to the hard work and dedication of employees at all levels. In a period when strikes are having a severe effect on many people, it is particularly gratifying to report that no operations or employees suffered from the dislocations of strikes within the company during 1975. Part of the credit for this harmony is due to the joint councils through which representatives of employees and the company have been able to resolve potential conflicts. This system has been functioning at principal operating locations for more than a half-century; the first meeting took place in Sarnia on Dec. 19, 1918.

During 1975, 15 percent of Imperial's work force chose to alter their working hours with the introduction of revised shift schedules, altered work weeks, and flexible working hours. In almost all cases, these changes were made in response to requests by employees, and all have increased the efficiency of company operations.

At the beginning of the year, Imperial increased the benefits paid under the company's retirement plan and its extended disability benefits plan, relating them more closely to an employee's final earnings. In addition, the company continued its practice of adjusting payments to those receiving pensions, extended disability benefits, and widow's benefits to changes in the cost of living; more than 3,000 people benefited from these adjustments in 1975.

Among other programs are awards that pay tuition fees for up to four years for the higher education of qualifying children of employees and annuitants. In 1975, more than a thousand young people received these awards, which totalled $612,000.

The company follows a practice of encouraging employees to progress in their careers with Imperial, and during 1975 more than half of the company's employees received training at company expense to upgrade their skills and increase their productivity. In addition, the company has a plan that pays for 75 percent of the cost of approved training courses that assist employees in their personal as well as professional development. In 1975, approximately 800 employees took advantage of this plan, and received about $73,000.

Imperial Oil Limited

Consolidated Financial Statements

FOR THE YEARS 1975 AND 1974,
TOGETHER WITH 10-YEAR FINANCIAL
AND OPERATING SUMMARY

Subsidiary Companies

W. H. Adam, Ltée, Ltd.
Albury Company Limited
Allied Heat and Fuel Limited
Archibald Fuels Limited
Atlas Supply Company of Canada Limited
Bourque Brothers Limited
Building Products of Canada Limited
Centres Citadelle Limitée/Citadel Centres Limited
Champlain Oil Products Limited/
Produits Pétroliers Champlain Limitée
Delta Rope & Twine Limited
Devon Estates Limited
E S F Limited
Esso of Canada Limited
Donat Grandmaitre Limited
Hall Fuel (1965) Limited
Hi-Way Petroleum Ltd.
Home Oil Distributors Limited
Imperial Oil Developments Limited
Imperial Oil Enterprises Ltd.
Imperial Oil of Canada Shipping Company Limited
The Imperial Pipe Line Company, Limited
Ioco Townsite Limited
Lou's Service (Sault) Limited
Maple Leaf Petroleum Limited
Midwest Fibreboard Ltd.
Mongeau & Robert Cie Ltée
James Murphy Fuel Oil Company Limited
Nisku Products Pipe Line Company Limited
Northwest Company, Limited
J. P. Papineau Ltée/Ltd.
Poli-Twine Corp. Ltd.
Polybottle Limited
Renown Building Materials Limited
Les Restaurants Le Voyageur Inc.
Robbins Floor Products of Canada Ltd.
Seaway Bunkers Limited
Servacar Ltd.
Stanmount Pipe Line Company
Transit Company, Limited
Western Oil & Trading Company Limited
Winnipeg Pipe Line Company Limited

Principal Investments and Percentage Interest

Interprovincial Pipe Line Limited 32.8%
Montreal Pipe Line Company Limited 32%
Rainbow Pipe Line Company, Ltd. 33.3%
Tecumseh Gas Storage Limited 50%
Trans Mountain Pipe Line Company Ltd. 8.6%

Auditors' Report

To the shareholders of *Imperial Oil Limited*

We have examined the Consolidated Statements of Earnings and Changes in Financial Position of Imperial Oil Limited and its subsidiary companies for the year ended December 31, 1975 and the Consolidated Balance Sheet as at that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the results of operations and changes in financial position of the companies for the year ended December 31, 1975 and their financial position as at that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants,
Toronto-Dominion Centre, Toronto, Ontario.

March 4, 1976.

Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiary companies, all of which are wholly owned.

The principal investments in other companies are accounted for on the equity basis, and Imperial's share of their earnings before income taxes is shown as "Equity in earnings of principal investments" in the Consolidated Statement of Earnings. The income taxes related to these earnings are included in "Income taxes" in the same statement. These investments are carried in the Consolidated Balance Sheet at Imperial's share of the book value of their underlying net assets. Other investments are carried at cost, and income from them is recorded only as dividends are declared.

A list of all subsidiary companies and the principal investments in other companies is shown on page 14 of this report.

Depreciation and Amortization

Depreciation of plant and equipment is based on the estimated service life of the asset, calculated on the straight-line method. Amortization of producing-well costs and of capitalized producing-lease costs is determined on the unit-of-production method.

Exploration

Exploration expenditures, including costs of acquisition and retention of exploration acreage, geological and geophysical surveys, and unsuccessful drilling are charged against earnings as incurred, except to the extent that they relate to the acquisition of acreage expected to be productive, based on the companies' past experience.

Inventories

Inventories are recorded at cost under the first-in, first-out method, which is less than net realizable value.

Income Taxes

Income-tax legislation permits certain costs and revenues to be deducted or added in calculating taxable income in years other than the year recorded in the financial statements. The companies follow the tax-allocation basis of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the time such costs and revenues are recognized for tax purposes and the time they are recorded in the financial statements. The resulting accumulated differences between the taxes actually paid and those charged to earnings are shown in the Consolidated Balance Sheet as "Deferred income taxes".

Taxes other than Income Taxes

Taxes levied on the companies are included in "Taxes other than income taxes" in the Consolidated Statement of Earnings. Included in this category are federal sales tax, property taxes, and the special gasoline excise tax imposed on June 24, 1975.

Taxes levied on the consumer and collected by the companies – primarily provincial road taxes – are not included in the Consolidated Statement of Earnings, nor is the federal tax on exports of crude oil and petroleum products.

Employee Retirement Plans

The companies have a number of retirement plans covering substantially all employees. Costs of these plans are charged to earnings and funded on the basis of actuarial valuations made at least every third year. Increases in the estimated present value of projected benefits created by revisions to the plans are amortized over 15 years. The effect of inflationary forces, which cause salary levels to rise at a rate faster than that used in the actuarial valuations, is provided for currently. Increases or decreases resulting from other factors in the actuarial valuations are amortized over five years.

The companies' policies with respect to funding adhere to government regulations and in certain cases the companies fund in a shorter time than the law requires.

Federal Import Compensation

Amounts received or claimed under the federal compensation program for oil imports are deducted from the cost of crude-oil and product purchases. The company has maintained its selling prices in accordance with federal-government guidelines in order to be eligible for this compensation.

Consolidated Statement of Earnings for the Years 1975 and 1974

	1975	1974
Revenues	*millions of dollars*	
Petroleum products	2,073	1,789
Crude oil and natural gas (including sale of purchased crude: 1975 – $1,451; 1974 – $1,372)	1,542	1,424
Chemicals and building materials	320	318
Other products	72	76
Other operating revenues	40	38
Equity in earnings of principal investments	33	36
Investment and other income	30	32
	4,110	3,713
Expenses		
Crude-oil and product purchases	2,526	2,244
Operating and exploration	385	363
Selling and administration	372	343
Depreciation and amortization	90	80
Income taxes (Note 1)	240	267
Taxes other than income taxes	217	109
Interest on long-term debt	30	18
	3,860	3,424
Earnings for the year	250	289
Per share	$ 1.92	2.22

Consolidated Statement of Changes in Financial Position for the Years 1975 and 1974

	1975	1974
Funds were provided from:	*millions of dollars*	
Operations (Note 2)	414	445
Debentures issued and other long-term debt	105	109
Capital stock issued	–	1
Sales of property, plant, and equipment	15	13
Other – net	6	4
	540	572
Funds were used for:		
Capital expenditures for property, plant, and equipment	276	340
Dividends	104	104
Reduction of long-term debt	28	68
	408	512
Increase in working capital	132	60

The Summary of Accounting Policies and Notes to the Financial Statements are part of these statements.

Consolidated Balance Sheet as at December 31, 1975 and 1974

Assets	1975	1974
CURRENT	*millions of dollars*	
Cash, including time deposits	55	107
Marketable securities, at the lower of cost and market	81	42
Accounts receivable(Note 3)	613	549
Inventories:		
Crude-oil and products	366	338
Materials and supplies	45	42
Prepaid expenses	7	7
Total current assets	1,167	1,085
Investments (Note 4)	87	85
Long-term accounts receivable and other assets (Note 5)	50	56
Property, plant, and equipment (Note 6)	1,646	1,475
Total assets	2,950	2,701
Liabilities and Deferred Credits		
CURRENT		
Short-term notes	45	51
Accounts payable and accrued liabilities (Note 3)	495	438
Income and other taxes payable	55	156
Total current liabilities	595	645
Long-term debt (Note 7)	342	265
Other long-term obligations	11	11
Deferred income taxes	424	348
Total liabilities and deferred credits	1,372	1,269
Shareholders' Equity		
Capital stock (Note 8)	288	288
Earnings retained and used in the business		
At beginning of year, as previously reported	1,161	975
Prior-period adjustment (Note 9)	(17)	(16)
As re-stated	1,144	959
Earnings for the year	250	289
Dividends (per share: 1975 – 80¢; 1974 – 80¢) (Note 8)	(104)	(104)
At end of year	1,290	1,144
Total shareholders' equity	1,578	1,432
Total liabilities and shareholders' equity	2,950	2,701

The Summary of Accounting Policies and Notes to the Financial Statements are part of this statement.

Approved by the Board

Notes to the Financial Statements

Imperial Oil Limited

1. Income Taxes

	1975	1974
	millions of dollars	
Imperial Oil Limited:		
current	147	169
deferred	76	80
Equity in principal investments	17	18
	240	267

The operations of the companies are complex and the related income-tax interpretations, regulations, and legislation are continually changing. As a result, there are usually some tax matters in question. The companies have made what they believe are adequate provisions for income taxes payable.

2. Funds Provided from Operations

	1975	1974
	millions of dollars	
Earnings for the year	250	289
Adjustments for		
depreciation and amortization	90	80
deferred income taxes	76	80
excess of equity earnings over dividends declared	(2)	(4)
	414	445

3. Amounts Owing to and from Affiliated Companies

Amounts owing to and from affiliated companies, all of which arose in the normal course of operations, were $77 million and $2 million respectively at Dec. 31, 1975 ($53 million and $2 million respectively at Dec. 31, 1974).

4. Investments

	1975	1974
	millions of dollars	
At equity		
with quoted market value 1975 – $107 million (1974 – $104 million)	66	63
without quoted market value	20	21
At cost	1	1
	87	85

5. Long-Term Accounts Receivable and Other Assets

	1975	1974
	millions of dollars	
Long-term accounts receivable	35	44
Funds on deposit with governments and others	4	4
Deferred charges	11	8
	50	56

6. Property, Plant, and Equipment

	1975	1974	1975	1974
	Cost		Accumulated depreciation and amortization	
	millions of dollars			
Exploration and production	746	708	301	275
Syncrude	155	55	2	2
Crude-oil refining	917	852	329	322
Marketing	344	360	143	144
Transportation	216	209	92	89
Chemicals and building materials	222	198	121	106
Other	57	50	23	19
	2,657	2,432	1,011	957
Net investment	1,646	1,475		

The charge against earnings in 1975 for amortization of producing-well costs and capitalized producing-lease costs amounted to $11 million (1974 – $11 million), and the accumulated provision at Dec. 31, 1975, amounted to $171 million.

7. Long-Term Debt

	1975	1974
	millions of dollars	
3⅝% Sinking Fund Debentures, 1955 Issue, maturing Feb. 1, 1975	—	20
6¾% Sinking Fund Debentures, 1967 Issue, maturing Jan. 2, 1987	38	40
7¼% Serial Debentures, 1968 Issue, maturing Jan. 2, 1976	2	4
7⅜% Sinking Fund Debentures, 1968 Issue, maturing Jan. 2, 1988	40	40
8½% Sinking Fund Debentures, 1969 Issue, maturing Aug. 15, 1989	20	22
6⅞% Serial Debentures, 1972 Issue, maturing Feb. 15, 1981	15	15
7¾% Sinking Fund Debentures, 1972 Issue, maturing Feb. 15, 1992	35	35
10⅝% Sinking Fund Debentures, 1974 Issue, maturing Aug. 15, 1994	100	100
9¾% Sinking Fund Debentures, 1975 Issue, maturing Feb. 15, 1995	100	—
Interest-free loan*	20	15
	370	291
Amount due within one year	28	26
	342	265

Sinking-fund and maturity payments required during the next five years on the above debentures are: 1976 – $8 million; 1977 – $9 million; 1978 – $9 million; 1979 – $9 million; 1980 – $14 million.

* Under agreements to supply Arctic gas, two U.S. gas-pipeline companies have each agreed to advance up to U.S. $80 million of interest-free loans if construction and export permits are obtained and deliveries of Arctic gas commence. The U.S. $20-million loan outstanding at Dec. 31, 1975, was repaid in January, 1976, as part of a revised agreement with one of the U.S. gas-pipeline companies.

8. Capital Stock

	Class A	Class B
Number of shares		
Authorized	160,000,000	160,000,000
Issued: 1974	129,074,145	1,114,401
1975	128,665,923	1,541,732

Each class of shares is voting, convertible into one another on a share-for-share basis, and ranks equally with respect to dividends and in all other respects. The only distinction between the two classes is that, in the case of the Class B shares, cash dividends may be specified to be paid out of tax-paid, undistributed surplus on hand or out of 1971 capital surplus on hand (as defined in the Income Tax Act of Canada). If any cash dividend is declared on the Class B shares, a cash dividend on the Class A shares must also be declared equal to the cash dividend being paid on each Class B share plus, in the case of such dividend paid out of tax-paid, undistributed surplus on hand, the amount of the tax paid toward the dividend on each Class B share. The tax paid with respect to Class B dividends is included in "Dividends" in the Consolidated Balance Sheet.

The company has two stock-option plans for employees under which options for the purchase of Class A or Class B common shares of the company are still outstanding. No further options may be granted under either of these plans. As of Dec. 31, 1975, there were outstanding options to purchase shares at prices ranging from $12.765 to $38.14. Options for 902,501 shares may be exercised currently, and options for 174,195 shares after July 16, 1976. Included in the above are 254,380 shares under option to directors and officers. In 1975, options were exercised totalling 19,109 shares for $337,000 under the terms of the plans.

9. Prior-Period Adjustment

During 1975, the company received and paid reassessments of its prior years' income taxes. The reassessments disallowed certain purchase costs from two foreign subsidiaries. The total cost of this disallowance, including interest and the effect on years not yet assessed, approximates $18 million. The effect on 1974 and 1975 was $1 million in each year. Financial statements for prior periods have been restated to take into account the cost of the disallowance.

10. Remuneration of Directors and Officers

In 1975, the aggregate remuneration of eight directors and two past directors of the company when serving as both directors and officers was $1,263,000. The aggregate remuneration of 10 other officers and two past officers when serving only as officers was $974,000. All directors and officers are full-time employees of the company.

11. Long-Term Incentive Compensation

In July, 1975, the company implemented a form of long-term incentive compensation. It may be granted as an additional form of compensation to provide performance incentives to selected employees. Future payments with respect to incentive-compensation units will be based on the increase in the price of Imperial Class A shares or the increase in the earnings per share of the company.

12. Employee Retirement Plans

The estimated market value of the pension-fund assets on Dec. 31, 1975, was $257 million, which approximates the value of the vested benefits at that date. The estimated present value of all future benefits exceeds the market value of the fund by $93 million, and this amount is being amortized in accordance with accepted practices as outlined on page 15. Most of this future obligation results from increases in benefits, including those effective Jan. 1, 1975, for both annuitants and employees.

The companies have charged $40 million to earnings in respect of retirement plans in 1975 (1974 – $35 million).

13. Syncrude

Through Syncrude Canada Ltd., the company is a participant in the construction of a plant to produce synthetic crude oil from the Athabasca oil sands. As a result of the withdrawal of one of the participants in December, 1974, new arrangements have been made. In February, 1975, an arrangement was reached in principle that, subject to the negotiation of a final written agreement, the company's interest in the project will increase from 30 percent to 31¼ percent. The project is currently estimated to cost about $2 billion. The company's share will amount to approximately $625 million, of which approximately $150 million was spent to Dec. 31, 1975.

14. Contingencies and Commitments

The company has guaranteed or otherwise agreed to protect obligations of others in the principal amount of $11 million.

Rentals and commitments payable by the company under long-term agreements approximate $19 million annually.

Ten-Year Financial and Operating Summary *

Imperial Oil Limited

(dollars in millions except per-share and per-employee amounts)

	Revenues									Earnings		
YEAR	Petroleum products	Crude oil and natural gas	Chemicals and building materials	Other products	Other operating	Total operating revenues	Equity in earnings of principal investments	Investment and other income	Total revenues	Total	Per share	Total
1975	$2,073	$1,542	$320	$72	$40	$4,047	$33	$30	$4,110	$250	$1.92	$104
1974	1,789	1,424	318	76	38	3,645	36	32	3,713	289	2.22	104
1973	1,316	946	198	74	46	2,580	44	24	2,648	225	1.74	104
1972	1,094	699	155	70	27	2,045	36	23	2,104	151	1.18	77
1971	1,022	650	145	65	25	1,907	32	22	1,961	139	1.08	77
1970	924	534	131	63	28	1,680	28	21	1,729	106	.83	68
1969	877	437	123	59	15	1,511	24	15	1,550	93	.73	68
1968	857	389	115	56	15	1,432	23	15	1,470	98	.76	67
1967	817	321	107	46	8	1,299	22	12	1,333	97	.76	67
1966	784	257	96	39	7	1,183	20	10	1,213	92	.72	63

	Taxes and Royalties								Financial Position at Year-End			
							TAXES COLLECTED FOR GOVERNMENTS					
YEAR	Income taxes	Federal sales tax	Special gasoline excise tax	Crown royalties	Property and other taxes	Total government take charged against income	Export tax	Road and other taxes	Current assets	Current liabilities	Current ratio	Working capital
1975	$240	$97	$88	$273	$32	$730	$224	$270	$1,167	$595	2.0	$572
1974	267	81	–	251	28	627	297	272	1,085	645	1.7	440
1973	147	70	–	81	35	333	16	287	762	382	2.0	380
1972	97	59	–	37	22	215	–	259	658	283	2.3	375
1971	97	57	–	29	20	203	–	245	625	299	2.1	326
1970	75	52	–	26	19	172	–	239	577	274	2.1	303
1969	65	52	–	21	18	156	–	233	517	221	2.3	296
1968	66	49	–	19	17	151	–	221	498	247	2.0	251
1967	66	47	–	17	16	146	–	196	449	175	2.6	274
1966	57	43	–	15	16	131	–	197	393	143	2.7	250

	Exploration and Production								Crude Supply and Utilization – thousands				
				GROSS PROVED RESERVES					CANADIAN CRUDE				
		Net wells drilled											
YEAR	Gross land holdings (millions of acres)	explora-tory	develop-ment	Crude oil and natural-gas liquids (millions of bbls.)	Western Canada natural gas (billions of cubic ft.)	Estimated natural-gas reserves in Mackenzie Delta (billions of cubic ft.)	Gross production crude oil and natural-gas liquids (thousands of bbls. per day)	Natural gas sales (millions of cubic feet per day)	Net production	Purchases from others	Domestic sales	Export sales	Used in Imperial refineries
1975	61	6	8	1,137	2,519	3,100	265	412	173	605	336	199	243
1974	66	16	49	1,206	2,607	–	337	421	224	677	389	246	266
1973	89	26	42	1,338	2,868	–	345	480	275	673	373	313	262
1972	88	20	43	1,387	3,060	–	262	425	224	626	319	288	243
1971	87	12	32	1,489	3,188	–	213	397	183	636	337	229	253
1970	64	23	27	1,567	3,328	–	199	372	170	589	304	203	252
1969	45	54	31	1,702	3,340	–	179	350	154	500	255	162	237
1968	46	90	54	1,593	3,117	–	173	336	150	443	225	145	223
1967	45	64	71	1,517	2,860	–	163	301	141	386	176	131	220
1966	50	81	87	1,534	2,964	–	146	239	127	339	153	94	219

* History restated for a reassessment of income taxes.

Glossary of Terms

Earnings as a Percentage of Capital Employed
Earnings after income tax plus net interest expense expressed as a percentage of average capital employed. Capital employed is the total of assets less current liabilities.

Earnings as a Percentage of Shareholders' Equity
Earnings after income tax expressed as a percentage of weighted average shareholders' equity. Shareholders' equity is capital stock plus earnings retained and used in the business.

Payroll and Benefits per Employee
Total payroll and benefits for full-time employees divided by the average number of employees.

Gross Proved Reserves
The estimated quantity of crude oil, natural gas, natural-gas liquids, and sulfur that analysis of geological and engineering data demonstrates with reasonable certainty to be recoverable from known oil or gas fields under existing economic and operating conditions. This data does not include Beaufort Basin discoveries, Syncrude, Cold Lake, and other heavy-oil deposits.

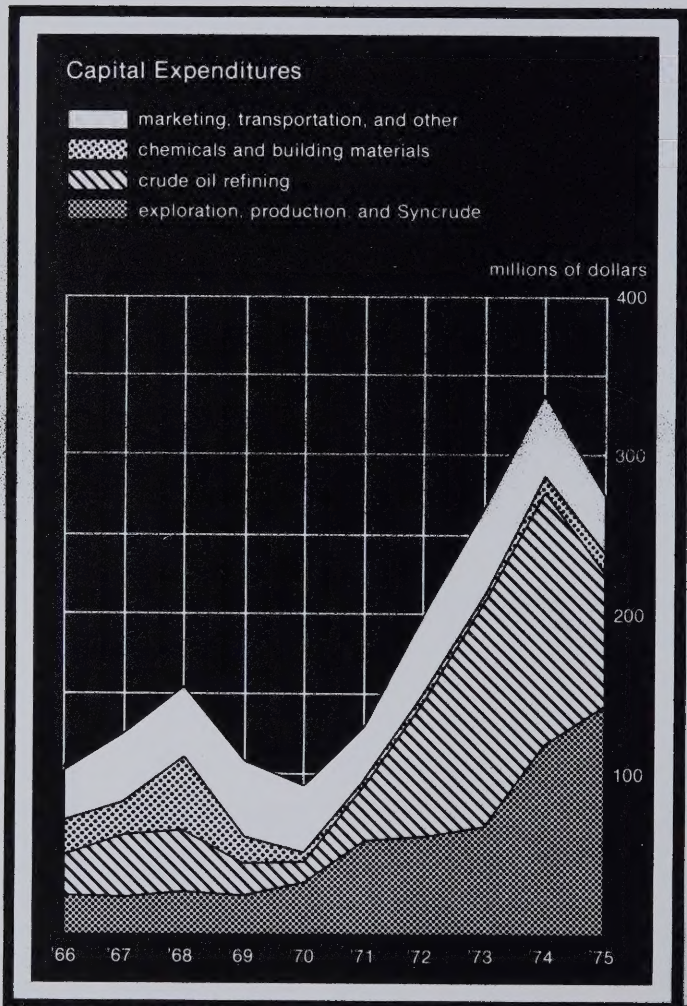
Mackenzie Delta Estimated Reserves
These reserves are based on the best information available, but cannot yet be considered to be proved. They are not marketable until a gas pipeline is constructed.

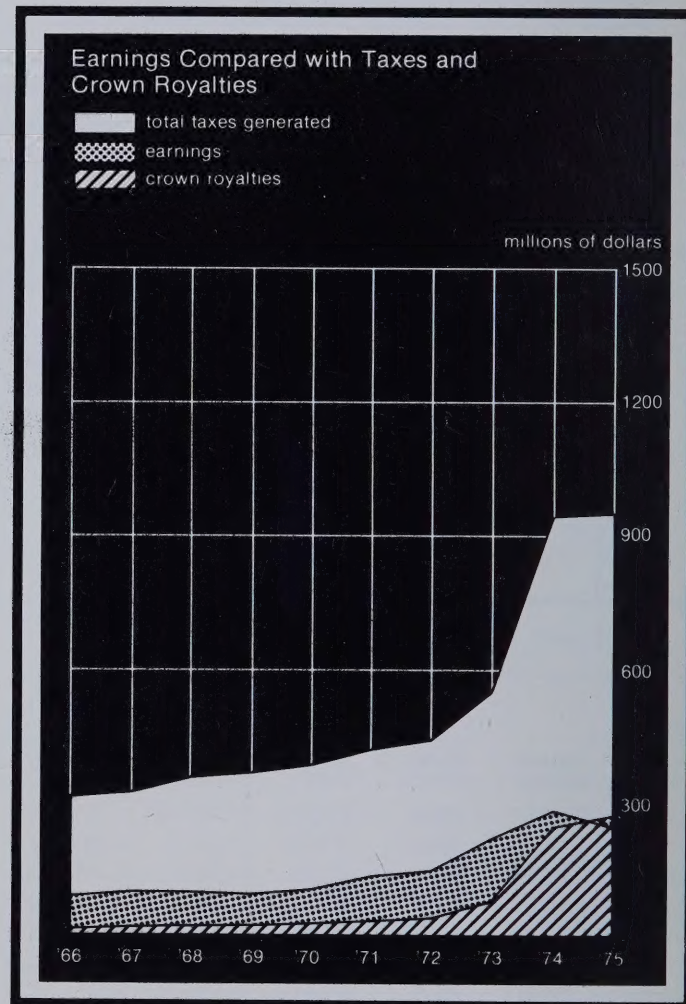
Dividends		Working Capital from Operations		Capital and Exploration Expenditures									
As a % of rnings	Per share	Total	Per share	Exploration	Production	Syncrude	Crude oil refining	Marketing	Trans-portation and Other	Chemicals and building materials	Total	Portion expensed	YEAR
42	$.80	$414	$3.17	$74	$18	$101	$ 83	$18	$15	$17	$326	$50	**1975**
36	.80	445	3.41	89	43	51	157	22	30	12	404	64	**1974**
46	.80	350	2.70	66	57	5	146	25	27	7	333	64	**1973**
51	.60	244	1.89	74	39	3	88	27	22	6	259	58	**1972**
56	.60	218	1.69	46	41	1	35	24	9	5	161	31	**1971**
64	.52½	174	1.35	34	28	–	13	34	8	5	122	28	**1970**
72	.52½	169	1.32	29	20	–	20	38	10	17	134	25	**1969**
69	.52½	168	1.31	35	25	1	38	29	14	46	188	32	**1968**
69	.52½	160	1.26	35	24	1	37	34	12	22	165	36	**1967**
69	.50	149	1.17	41	20	1	25	19	12	22	140	37	**1966**

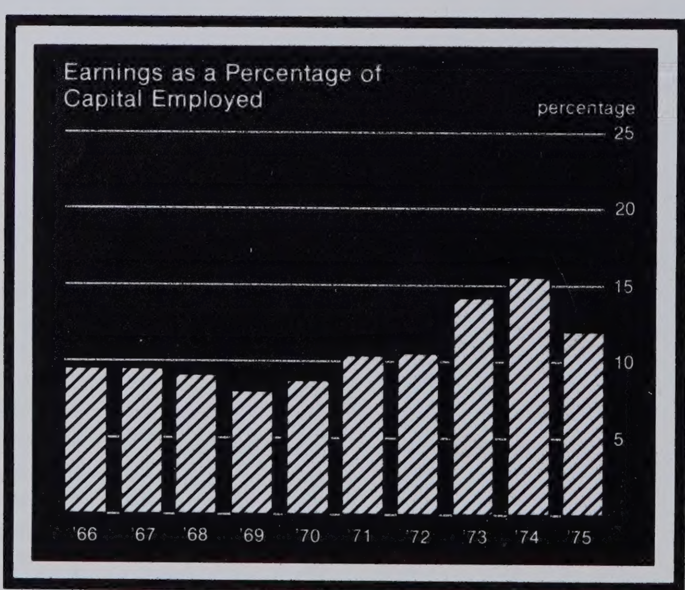
							Shareholders		Employees			
									PAYROLL AND BENEFITS			
Property, plant, and equipment net	Capital employed	Earnings as % of capital employed	Total assets	Long-term debt	Share-holders' equity	Earnings as % of shareholders' equity	Number Dec. 31	Shares issued Dec. 31 (thousands)	Number Dec. 31	Total	Per employee	YEAR
$1,646	$2,355	12.0	$2,950	$342	$1,578	16.4	44,672	130,208	15,321	$326	$19,800	**1975**
1,475	2,056	15.6	2,701	265	1,432	21.1	44,433	130,189	16,117	284	17,200	**1974**
1,228	1,750	14.1	2,132	224	1,246	19.2	42,646	130,117	15,936	227	13,900	**1973**
1,043	1,557	10.8	1,840	221	1,113	14.1	44,171	129,520	15,549	201	13,000	**1972**
922	1,392	10.7	1,691	166	1,031	14.0	46,188	129,105	15,019	190	12,200	**1971**
875	1,319	8.6	1,593	173	962	11.3	52,934	128,594	15,543	176	11,200	**1970**
859	1,280	8.0	1,501	178	923	10.2	50,188	128,528	15,516	162	10,500	**1969**
811	1,181	8.9	1,428	128	896	11.1	37,780	128,437	15,164	150	9,900	**1968**
713	1,101	9.5	1,276	102	863	11.6	39,578	128,202	14,933	136	9,100	**1967**
641	999	9.5	1,142	56	821	11.4	41,088	127,167	14,289	125	8,800	**1966**

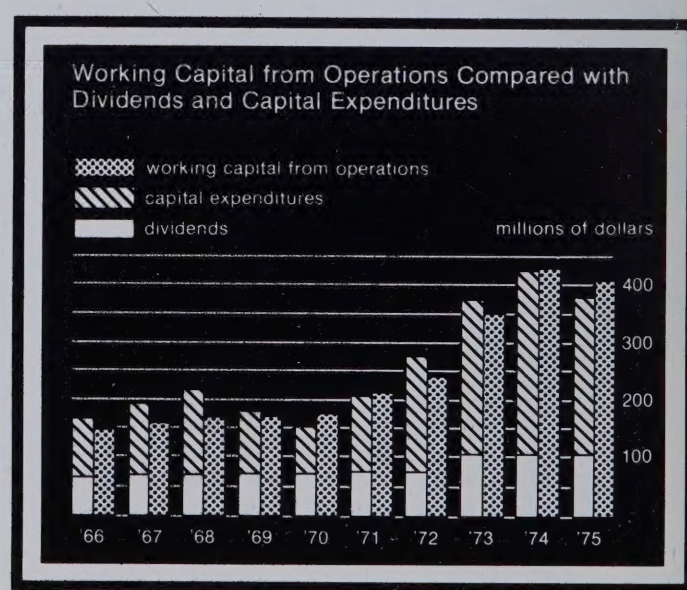
of barrels per day		Petroleum Products – thousands of barrels per day						Chemicals & Building-Materials Sales - thousands of metric tons per year				
IMPORTED CRUDE				SALES								
Purchased for Imperial refineries	Total crude purchases	Crude processed	Refinery capacity Dec. 31	Gasolines	Middle distillates	Other products	Total	Fertilizer	Building materials	Petro-chemicals	Total	YEAR
152	757	395	505	175	144	99	418	561	421	678	1,660	**1975**
172	849	438	479	181	157	105	443	642	466	751	1,859	**1974**
179	852	441	477	182	160	107	449	619	440	640	1,699	**1973**
156	782	399	469	158	160	99	417	513	397	691	1,601	**1972**
159	795	412	447	159	149	98	406	410	394	651	1,455	**1971**
154	743	406	431	153	151	96	400	349	343	522	1,214	**1970**
140	640	377	422	151	143	87	381	105	382	637	1,124	**1969**
136	579	359	405	145	142	91	378	105	339	450	894	**1968**
130	516	350	397	141	138	87	366	100	308	424	832	**1967**
127	466	346	378	136	134	82	352	59	280	407	746	**1966**

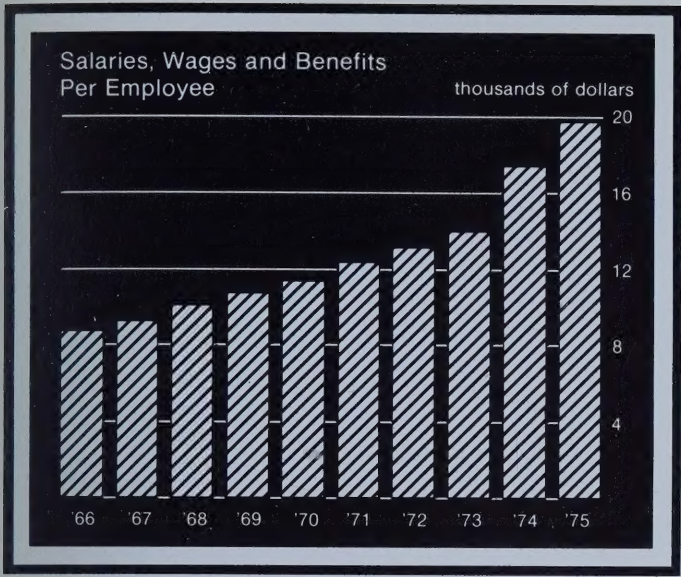
Financial and Operating Trends 1966-1975

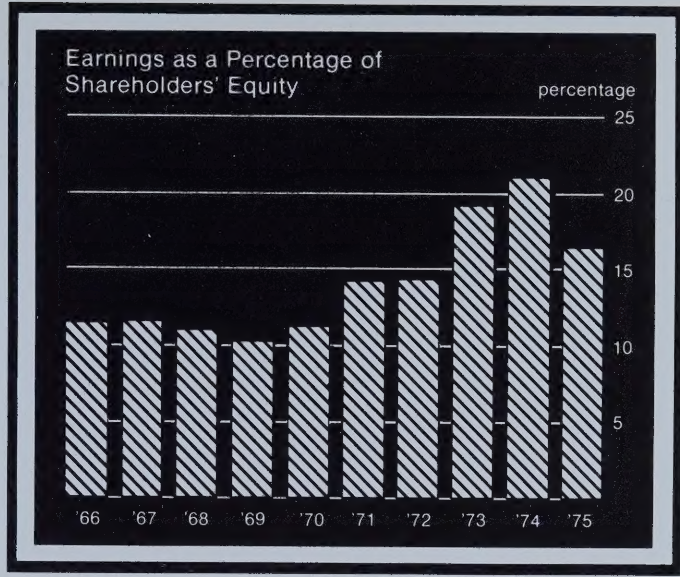


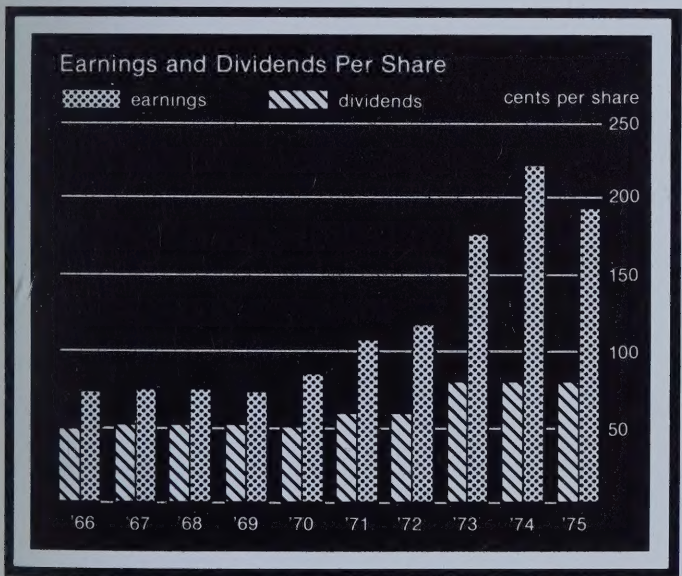


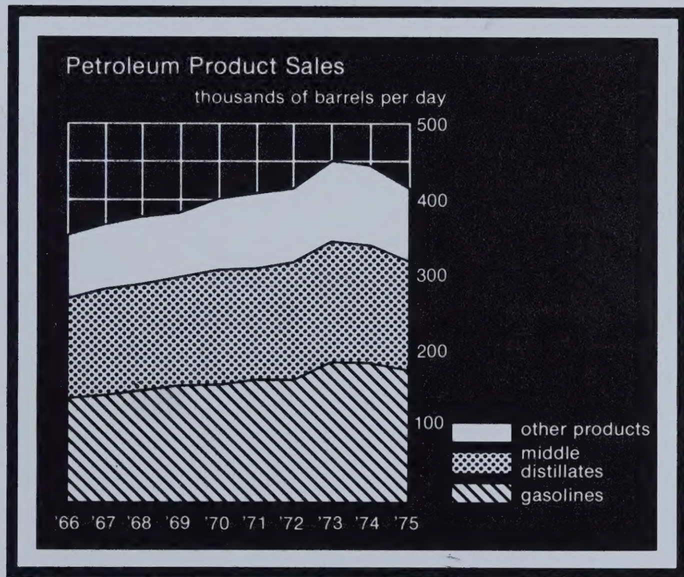


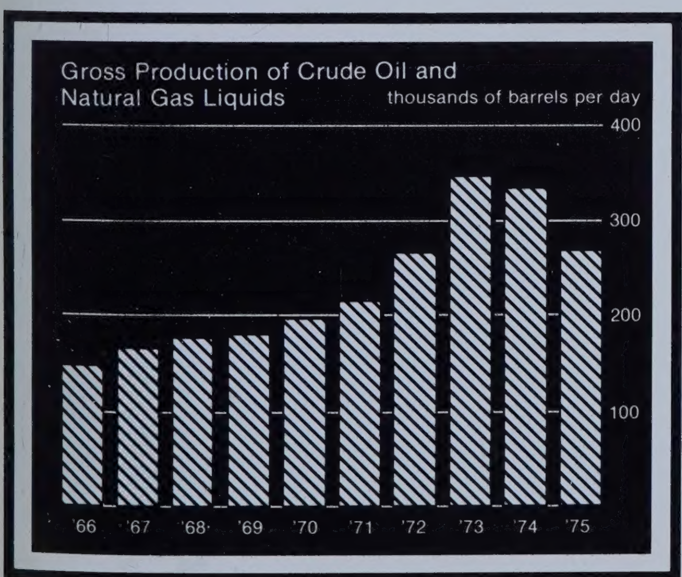


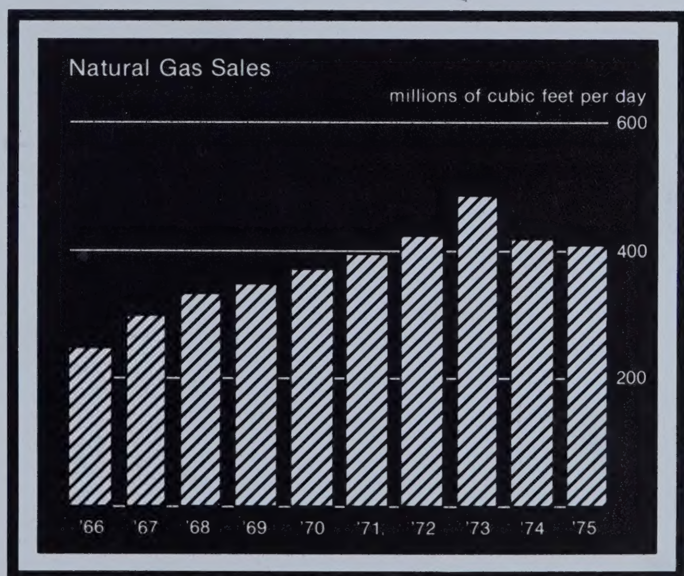

Salaries, Wages and Benefits Per Employee
thousands of dollars
20
16
12
8
4
'66 '67 '68 '69 '70 '71 '72 '73 '74 '75


Earnings as a Percentage of Shareholders' Equity
percentage
25
20
15
10
5
'66 '67 '68 '69 '70 '71 '72 '73 '74 '75


Earnings and Dividends Per Share
earnings
dividends
cents per share
250
200
150
100
50
'66 '67 '68 '69 '70 '71 '72 '73 '74 '75


Petroleum Product Sales
thousands of barrels per day
500
400
300
200
100
other products
middle distillates
gasolines
'66 '67 '68 '69 '70 '71 '72 '73 '74 '75


Gross Production of Crude Oil and Natural Gas Liquids
thousands of barrels per day
400
300
200
100
'66 '67 '68 '69 '70 '71 '72 '73 '74 '75


Natural Gas Sales
millions of cubic feet per day
600
400
200
'66 '67 '68 '69 '70 '71 '72 '73 '74 '75

Imperial Oil Limited

Imperial Oil Limited was incorporated under the Canada Joint Stock Companies Act, 1877 on September 8, 1880. Its head office is at 111 St. Clair Avenue West, Toronto, Ontario M5W 1K3.

Directors

J. A. Armstrong
J. W. Flanagan
J. H. Hamlin
A. R. Haynes
J. G. Livingstone
D. D. Lougheed
D. K. McIvor
W. J. Young
R. G. Reid[1]
J. A. Cogan[2]

Officers

President and Chief Executive Officer and Chairman of the Board
J. A. Armstrong

Executive Vice-Presidents
J. G. Livingstone
D. K. McIvor

Senior Vice-Presidents
J. W. Flanagan
J. H. Hamlin
A. R. Haynes
D. D. Lougheed
W. J. Young
J. A. Cogan[2]
J. G. Livingstone[3]
D. K. McIvor[3]

Vice-Presidents
J. F. Barrett
G. L. Haight
A. M. Lott
D. H. MacAllan
G. R. McLellan
A. G. Moreton
V. Sirois
P. Stauft
W. A. West
G. K. Whynot
D. D. Lougheed[4]

General Secretary
D. H. MacAllan

Comptroller
G. R. McLellan

Treasurer
A. M. Lott

General Counsel
J. F. Barrett, Q.C.

(1) Resigned as a director and president July 21, 1975
(2) Retired July 31, 1975
(3) Elected an executive vice-president July 22, 1975
(4) Elected a senior vice-president July 22, 1975

Transfer Offices

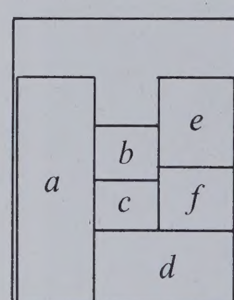
Imperial Oil Limited shares may be transferred at the following offices: head office of Imperial Oil Limited; principal offices of Montreal Trust Company at St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver, and Bankers Trust Company, New York.

Annual Meeting

The annual meeting of shareholders will be held at 11:00 a.m., Monday, April 26, 1976, in the Canadian Room, Royal York Hotel, Toronto.

Contents

2 Financial and Operating Highlights
3 President's Message
4 External Factors Affecting Operations
6 Operations Review
14 Subsidiary Companies
14 Auditor's Report
15 Summary of Accounting Policies
16 Financial Statements
17 Balance Sheet
18 Notes to the Financial Statements
20 Ten-Year Summary
22 Financial and Operating Trends
24 Directors and Officers



KEY TO COVER PHOTOS: *a*) Strathcona refinery's main distillation tower splits crude into components for use and further refining. *b*) The Syncrude plant under construction at the Athabasca oil sands. *c*) Self-serve outlet at Vancouver. *d*) The *Imperial Quebec* weathers a gale while making deliveries to Atlantic coastal communities. *e*) Building a wintering harbor for island-construction vessels at Gary Island in the Beaufort Sea. *f*) Drilling the Ikattok prospect from an artificial island in the Beaufort Sea.

Les rapports annuels d'Imperial Oil Limited sont publiés en français et en anglais. Si vous préférez recevoir le rapport en français, veuillez écrire à la Division des relations avec les actionnaires, Imperial Oil Limited, C.P. 4029, Toronto (Ontario) M5W 1K3